

## Message Text

CONFIDENTIAL

PAGE 01 STATE 118983  
ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 CIAE-00 DODE-00 PM-04 H-01  
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02  
SS-15 AID-05 COME-00 FRB-03 TRSE-00 XMB-02  
OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 AF-10 EA-07  
EUR-12 NEA-10 STR-04 CEA-01 AGRE-00 FEA-01 OES-07  
IO-13 USIE-00 INRE-00 NSCE-00 SSO-00 /139 R

DRAFTED BY EB/ORF/FSE:PKBULLEN/EB/ODF:AADAMS:MW

APPROVED BY EB/ORF:SWBOSWORTH

EB/IFD/OMA:CCUNDIFF

EB/GCP:SAHMAD

L:DGANTZ

EB/FSE:MVCREEKMORE

EB/ICD:EAWENDT

OES:MPROCHNIK

TREASURY:HJUNZ

ARA/ECA:TSHUGART

-----240008Z 013731 /63

O 232301Z MAY 77

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA IMMEDIATE

INFO AMCONSUL RIO DE JANEIRO IMMEDIATE

AMCONSUL SAO PAULO IMMEDIATE

C O N F I D E N T I A L STATE 118983

E.O. 11652: GDS

TAGS: ENRG, CIEC, EAID, BR

SUBJECT: BRAZILIAN QUESTIONS RE US VIEWS ON CIEC

REF: BRASILIA 3799

1. THE FOLLOWING RESPONDS TO SPECIFIC QUESTIONS ON CIEC

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 118983

RAISED BY DE MELLO, IN SAME SEQUENCE AS IN REFTEL.

2. RESOURCE TRANSFERS. WE BELIEVE THAT "CONCRETE  
RECOGNITION" REFERRED TO IN PARA 4A1 OF STATE 090658 MIGHT  
TAKE FORM OF COMMUNIQUE LANGUAGE EXPLICITLY NOTING  
AGREEMENT IN PRINCIPLE TO WORK TO EFFECTIVELY AND SUB-  
STANTIALLY INCREASE FOREIGN ASSISTANCE FLOWS. WE

ENVISAGE THAT COUNTRIES WISHING TO BE MORE SPECIFIC  
MIGHT UNILATERALLY INDICATE THEIR INTENTIONS IN STATEMENTS  
BY THEIR MINISTERS.

3. CONCERNING INCREASED IBRD LENDING, WE ALSO DO NOT HAVE IN MIND NEGOTIATING DETAILED, INTERNATIONALLY-BINDING COMMITMENT. IN THIS CONNECTION, CONTACT GROUP ON OFFICIAL DEVELOPMENT ASSISTANCE OF CIEC DEVELOPMENT COMMISSION AGREED TO FOLLOWING EARLIER THIS MONTH: QUOTE. THE CAPITAL BASE OF THE WORLD BANK SHOULD BE INCREASED SUFFICIENTLY TO PERMIT ITS LENDING TO RISE

ADEQUATELY IN REAL TERMS IN THE YEARS AHEAD. NEGOTIATIONS FOR A GENERAL INCREASE IN THE CAPITAL OF THE BANK SHOULD BE UNDERTAKEN AS SOON AS POSSIBLE SO AS TO ALLOW THE BANK TO ACHIEVE ITS LENDING PROGRAM OF \$6.8 BILLION IN FY 79 AND THEREAFTER FURTHER INCREASES IN ITS LENDING IN REAL TERMS. UNQUOTE. WE ALSO EXPECT TO AGREE IN CIEC THAT, IN THE CONTEXT OF THE GENERAL CAPITAL INCREASE, THE IBRD GIVE GREATER PRIORITY TO LENDING FOR DEVELOPMENT OF ENERGY AND RAW MATERIALS IN LDCS.

4. CONCERNING FOLLOW-UP ON INCREASED ASSISTANCE FLOWS, CONTACT GROUP HAS AGREED TO FOLLOWING: QUOTE. WITH A VIEW TO INCREASING THE VOLUME OF ODA AND ENHANCING THE UNDERSTANDING OF THE NEEDS OF DEVELOPING COUNTRIES, THE PARTICIPANTS AGREED THAT THE IMPLEMENTATION OF THE ABOVE CONCLUSIONS SHOULD BE REVIEWED REGULARLY. UNQUOTE. AT THIS POINT, HOWEVER, WE HAVE NO FIRM VIEWS ON HOW SUCH A

CONFIDENTIAL

PAGE 03 STATE 118983

REVIEW MIGHT BEST BE EFFECTED.

5. INTERNATIONAL RESOURCES BANK. USG DOES NOT PLAN TO SEEK A REFERENCE IN CIEC MINISTERIAL TO IRB PROPOSAL NOW BEFORE IBRD-IMF DEVELOPMENT COMMITTEE.

6. IMF SUPPLEMENTARY FINANCING FACILITY. USG STRONGLY SUPPORTS MANAGING DIRECTOR WITTEVEEN'S EFFORTS TO SEEK ADDITIONAL RESOURCES FOR THE FUND. WE BELIEVE THAT ANY ADDITIONAL IMF LENDING WITH THESE RESOURCE SHOULD BE CONDITIONED ON BORROWERS' WILLINGNESS TO COOPERATE WITH IMF ON APPROPRIATE STABILIZATION POLICIES.

7. COMMON FUND. WE HAVE NO NEW GUIDANCE ON COMMON FUND ISSUES TO PROVIDE AT THIS TIME. OUR APPROACH TO COMMON FUND ISSUE IN CIEC IS SET FORTH IN REPORTS OF CIEC MEETINGS RECENTLY CONCLUDED IN PARIS, PARTICULARLY USOECD PARIS 13370, 14012, AND 14337 SENT INFO BRAZILIA.

8. FOLLOW-ON ENERGY DIALOGUE. USG SUPPORTS IDEA OF AN ONGOING ENERGY DIALOGUE -- INVOLVING REPRESENTATIVES OF INDUSTRIALIZED COUNTRIES, OIL EXPORTING COUNTRIES, AND NON-OIL LDCS -- IN SOME SORT OF RESTRICTED BUT REPRESENTATIVE FORUM. WE ARE STILL EXAMINING VARIOUS ALTERNATIVES ON INSTITUTIONAL QUESTIONS INVOLVED.

9. ENERGY R&D COOPERATION. BESIDES INTERNATIONAL ENERGY INSTITUTE PROPOSAL, USG HAS OTHER IDEAS FOR ENERGY R&D COOPERATION. INTERNATIONAL ENERGY AGENCY HAS AGREED

TO INVITE PARTICIPATION BY NON-IEA MEMBERS IN ITS ENERGY R&D PROGRAM. NEW PARTICIPANTS WOULD BE EXPECTED TO SHARE EQUITABLY IN COSTS AND BENEFITS OF THESE PROJECTS; IEA PROGRAM WOULD NOT BE AN AID MEASURE. WE ALSO ENVISAGE THAT CIEC WOULD RECOMMEND EXPANDING BILATERAL R&D COOPERATION; USG IS PREPARED TO MOVE VIGOROUSLY IN THIS

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 118983

AREA.

10. TRADE. OUR SUGGESTION IN "NON-PAPER" FOR POSSIBLE GENERAL DECLARATION ON TRADE WAS NOT INTENDED TO REPLACE POSSIBLE AGREEMENT ON OTHER LANGUAGE ALREADY TABLED IN CIEC. A US PROPOSAL IDENTIFYING AREAS OF MULTILATERAL TRADE NEGOTIATION WHICH PROVIDE OPPORTUNITIES FOR SPECIAL AND MORE FAVORABLE TREATMENT FOR DEVELOPING COUNTRIES WAS ACCEPTED BY G-19 IN NOVEMBER, AND LANGUAGE IS NOW FULLY AGREED BETWEEN G-8 AND G-19.

11. MULTIFIBER ARRANGEMENT. LANGUAGE HAS ALSO BEEN AGREED ON NEED FOR QUICK DECISION ON EXTENSION OF MFA AS WELL AS ON IMPROVEMENTS IN GSP AND PROMOTION OF LDC EXPORTS. FYI. ALL THESE TEXTS WERE APPROVED AD REFERENDUM BY BOTH SIDES BUT WE UNDERSTAND THAT G-19 WILL NOT PRESS ITS TRADE DEMANDS FURTHER AT CIEC. END FYI.

12. INVESTMENT. WHEN DEPARTMENT SPOKE OF "A MUTUAL UNDERSTANDING ON THOSE ELEMENTS WHICH WOULD HELP ESTABLISH A SOUND INVESTMENT CLIMATE" (PARA E (1) OF STATE 90658), IT WAS REFERRING TO

KEY SECTIONS OF DIRECT FOREIGN INVESTMENT PAPER (AS PROPOSED BY G-8). THESE DEAL WITH SUCH ISSUES AS FAIR AND EQUITABLE TREATMENT OF INVESTORS BY HOST COUNTRY; PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION IN CASE OF EXPROPRIATION; AND ASSURANCE OF FAIR AND EQUITABLE PROCEDURES, INCLUDING ARBITRATION, FOR SETTLEMENT OF DISPUTES. PREDICTABLY, THESE ISSUES HAVE PROVED THE MOST DIFFICULT NEGOTIATE WITH THE G-19

AND TO DATE WE HAVE NOT REACHED AGREEMENT.

13. IF AN AGREED FOREIGN INVESTMENT PAPER IS TO EMERGE  
FROM CIEC, SOME MEANS WILL HAVE TO BE FOUND TO BRIDGE  
FUNDAMENTAL GAPS BETWEEN G-8 AND G- 19 ON THESE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 118983

ISSUES. WE WOULD STRESS TO BRAZILIANS (WHO WERE SINGULAR-  
LY UNHELPFUL IN CIEC CONTACT GROUP DISCUSSING  
THIS ISSUE DURING RECENT APRIL-MAY SESSION) IMPORTANCE  
OF THESE ELEMENTS IN CREATING A GOOD INVESTMENT CLIMATE  
AND OF FOREIGN INVESTMENT EXERCISE AS A WHOLE TO G-8  
IN CIEC CONTEXT. DIRECT FOREIGN INVESTMENT PAPER DOES  
NOT TREAT THESE ISSUES AS OBLIGATIONS OF STATES, BUT  
SIMPLY AS ELEMENTS OR PRINCIPLES WHICH CONTRIBUTE TO A  
FAVORABLE INVESTMENT CLIMATE; IN THIS CONTEXT WE WOULD  
THEREFORE HOPE THAT G-19 AND PARTICULARLY BRAZIL, COULD  
AGREE TO THEIR INCLUSION.

14. SCOPE OF INTERNATIONAL FINANCIAL ISSUES. U. S.  
DOES NOT EXPECT ANY MAJOR CHANGE IN SCOPE OF FINANCIAL  
ISSUES WHICH CIEC HAS BEEN DISCUSSING. WE EXPECT CIEC  
TO CONTINUE TO ADDRESS, FOR EXAMPLE, FOREIGN DIRECT  
INVESTMENT AND ACCESS TO CAPITAL MARKETS (SEE PRE  
CEDING PARA.) RE BRAZILIA 3718, PARA 24, YOU MAY NOTE  
THAT U. S. DISCUSSED AT MAY CIEC MEETING SOME MONETARY  
ISSUES BASED ON THE RESULTS OF THE APRIL MEETING OF THE  
IMF INTERIM COMMITTEE. WE DO NOT EXPECT TO BROADEN  
DISCUSSION OF MONETARY ISSUES FURTHER.

15. DETAILS OF THE SPECIAL ACTION PROPOSAL, WHICH WE  
SEE AS PART OF AN ACCEPTABLY BALANCED CIEC FINAL PACKAGE,  
ARE STILL BEING WORKED OUT AMONG G-8. OUR OBJECTIVE,  
HOWEVER, REMAINS A FUND OF ABOUT 1 BILLION DOLLARS TO  
BE DIRECTED IN THE RELATIVELY NEAR FUTURE TO POORER  
DEVELOPING COUNTRIES.

VANCE

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, ECONOMIC COOPERATION, LESS DEVELOPED COUNTRIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 23-May-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE118983  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** PKBULLEN/EB/ODF:AADAMS:MW  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770184-0030  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770526/aaaaawxb.tel  
**Line Count:** 211  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 27a1bf8b-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 BRASILIA 3799  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 02-Dec-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2401649  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BRAZILIAN QUESTIONS RE US VIEWS ON CIEC  
**TAGS:** ENRG, EAID, BR, US, CIEC  
**To:** BRASILIA  
**Type:** TE  
**vdkgvgwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/27a1bf8b-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009